

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
ALCOHOL AND TOBACCO COMMISSION
STATE OF INDIANA
March 1, 2005 to February 28, 2007



FILED
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AGENCY OFFICIALS

Office

Official

Term

Chairman

Dave Heath

01-10-05 to 01-11-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ALCOHOL AND TOBACCO COMMISSION

We have reviewed the receipts, disbursements, and assets of the Alcohol and Tobacco Commission for the period of March 1, 2005 to February 28, 2007. Alcohol and Tobacco Commission's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Alcohol and Tobacco Commission are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

April 24, 2007

ALCOHOL AND TOBACCO COMMISSION
REVIEW COMMENTS
February 28, 2007

CONTRACT PAYMENTS

During our review of contracts, we found that the Alcohol and Tobacco Commission overpaid a vendor \$5,100.00.

Prior to our exit conference, the Alcohol and Tobacco Commission came to an agreement with the vendor and received full reimbursement by obtaining a credit to their account for the April and May 2007 monthly payments. (See Summary, page 8)

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

CONTRACT REQUIREMENTS

As stated in our prior Report B25208, records presented for audit indicate that the Alcohol and Tobacco Commission made payments under contracts which had not been approved prior to their effective date. In addition, we found an amendment to a contract which did not contain all the proper approvals.

Internal controls are weakened when a contract is either put into effect prior to proper approval or without proper approval.

Indiana Code 4-13-2-14.1(a) requires that:

"A contract to which a state agency is a party must be approved by the following persons:

- (1) The commissioner of the Indiana department of administration
- (2) The director of the budget agency. . . .
- (3) The attorney general"

In addition, Indiana Code 4-13-2-14.2 states ". . . a contract to which a state agency is a party must be in writing."

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

SDO FUND RECONCILIATIONS

The SDO Advance reconciliations were not properly performed during our review. We found that the account clerk had been reconciling the advance to \$7,200 rather than the actual advance of \$7,000. This error was not identified because the cash advances recorded on the reconciliation sheet were also overstated by

ALCOHOL AND TOBACCO COMMISSION
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\$200. We also found that a cash advance used as petty cash at the central office was \$200 less than the amount allocated to that petty cash box. Due to the petty cash box error the SDO fund did not reconcile to the SDO advance. Subsequent to our audit period, the person responsible at the central office for the cash advance reimbursed the SDO fund \$200.

In addition, for the last two months of the review period, January and February 2007, reconcilements to the bank and to the advance were not performed. Finally, we noted that when performed, reconcilements were not reviewed by someone independent of the SDO function.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. If the reconciled SDO advance is less than the amount originally advanced, then the SDO officer may be personally responsible for the amount needed to balance the advance. This reconciliation of the SDO advance must be formally documented at least monthly. The best control is provided when the reconciliation is prepared or review by staff independent of the functions of preparing checks or maintaining the check register. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be reconciled to the SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SDO ADVANCE

As stated in our prior report B25208, the Special Disbursing Officer Fund (SDO) advance for the Alcohol and Tobacco Commission was not turned over, or reimbursed completely, for several months.

If a SDO advance is not used within one or two months, then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

DAILY DEPOSITS

As stated in our prior Report B25208, the Alcohol and Tobacco Commission did not consistently deposit receipts for permits within the following business day.

Indiana Code 5-13-6-1(b) states in part: "... all public funds ... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

FIXED ASSET LISTING

The Alcohol and Tobacco Commission's fixed asset listing does not contain all of the proper fields necessary to provide proper documentation and accountability of their fixed assets. The fields that were missing from the fixed asset listing were the acquisition date, acquisition cost, and the fund number purchased from.

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(Continued)

The asset information to be maintained by the agencies should include the following:

- (1) Asset Tag Number
- (2) Acquisition Date
- (3) Asset Description
- (4) Acquisition Cost
- (5) Fund Number Purchased From
- (6) Serial Number
- (7) If purchased with federal funds, the name of the federal grant that was used.
- (8) Location of asset within agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

ALCOHOL AND TOBACCO COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2007, with Dave Heath, Chairman; and Vicki Stephens, Controller.

ALCOHOL AND TOBACCO COMMISSION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Contract Payments, page 4	\$ 5,100	\$	\$
Credit Memo - April and May 2007 monthly payments, June 19, 2007	<u> </u>	<u>5,100</u>	<u>-</u>
Totals	<u>\$ 5,100</u>	<u>\$ 5,100</u>	<u>\$ -</u>